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# Security Council

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## Letter dated 3 February 2006 from the Secretary-General addressed to the President of the Security Council

I have the honour to convey the attached communication, dated 31 January 2006, which I received from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I take this opportunity to express my appreciation to Mr. Paddy Ashdown for his tireless efforts as High Representative since May 2002.

I should be grateful if the present letter and its annex could be brought to the attention of the members of the Security Council.

(*Signed*) Kofi A. **Annan**

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## Annex

### Letter dated 31 January 2006 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative to the Council in accordance with annex 10 of the General Framework Agreement for Peace in Bosnia and Herzegovina and the conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the twenty-ninth report (see enclosure). I would kindly ask that the present report be distributed to the members of the Security Council for their consideration.

The present report, which covers the period from 1 July 2005 to 31 January 2006, is the last one that I will submit through you to the Council. As I informed you in my letter dated 29 December 2005 (S/2006/40, annex), my successor, Dr. Christian Schwarz-Schilling, will take over as High Representative and European Union Special Representative in Bosnia and Herzegovina on 1 February 2006. But should you or any Council member require any information beyond what is offered in the attached report or have any questions regarding its contents, I should be pleased to reply in writing.

As I did in my letter last month, let me take this second opportunity to offer my warm thanks for all the assistance and support you have offered me since I took up my now-expiring mandate in May 2002.

(*Signed*) Paddy **Ashdown**

# Twenty-ninth report of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina to the Secretary-General of the United Nations

**1 July 2005-31 January 2006**

*Summary*

1. Bosnia and Herzegovina passed a significant milestone during the reporting period. As has been the case for several years, the overarching goal of the international community has been to assist the country in equipping itself to take part in Euro-Atlantic integration and, in particular, to establish contractual relationships with the European Union (EU) and the North Atlantic Treaty Organization (NATO). Bosnia and Herzegovina not only fulfilled the conditions for opening negotiations with the European Union on a stabilization and association agreement in time for the tenth anniversary of the Dayton Accords in November 2005, but it also started the technical talks in January 2006.

2. The process by which Bosnia and Herzegovina finally met the requirements set by the November 2003 European Commission (EC) feasibility study for initiating stabilization and association agreement negotiations demonstrated that there is still a need for a strong but modified international engagement in the country. Yet the clear message from the international community that final responsibility for fulfilling the EC terms lay exclusively with the domestic authorities encouraged the assumption of real ownership. This approach to reform, combined with continuing downsizing by the Office of the High Representative and the gradual prominence of the role of the EU Special Representative should characterize the next stage in Bosnia and Herzegovina's progress towards self-sustaining statehood and active integration in Europe.

3. Bosnia and Herzegovina was thus ultimately successful in joining its neighbours, Croatia and Serbia and Montenegro, in the regional endeavour to participate in European integration. Their common aspiration renders unresolved border questions a minor irritant. Uncertainty over both the future of the state union of Serbia and Montenegro and the final status of Kosovo have thus far had little impact on the political debate in Bosnia and Herzegovina.

4. The failure during the period to arrest Radovan Karadžić and Ratko Mladić precluded Bosnia and Herzegovina's admission to the NATO Partnership for Peace. But ongoing political and financial pressure on the Serb Democratic Party (SDS), security sector reforms and greater coordination among State and entity institutions helped sustain the improved level of cooperation between Republika Srpska and the International Tribunal for the Former Yugoslavia noted in my previous report.

5. The approach of the tenth anniversary of the signing of the General Framework Agreement for Peace stimulated an intensification of the discussions on constitutional reform that had been taking place intermittently throughout the year. A commemorative event in Washington, D.C. resulted in the signature of a commitment to support the process and to agree on constitutional changes by March 2006 by the strongest eight political parties in Bosnia and Herzegovina. Their negotiations have thus far resulted in agreements in principle on human rights provisions, the competency and size of the Council of Ministers and the two houses of the Parliamentary Assembly as well as on certain reductions in the authority of

the Presidency. But it has not yet produced the package deal that was promised or draft legislation for submission to parliament.

6. The European Union Military Mission (EUFOR) built a strong reputation in its first year on the job, becoming a key partner in support of the EU political objectives and the mission implementation plan of the Office of the High Representative. For its part, the European Union Police Mission completed its initial mandate. A follow-on mission, which will extend until 31 December 2007 and focus on both supervising police restructuring and fighting organized crime, came into being on 1 January 2006.

7. After intensive lobbying, much public campaigning and several rounds of top-level political negotiations, an agreement on how to proceed with police restructuring was finally reached in early October. This involved explicit acceptance by the state and entity governments of the three principles that the European Community had insisted should undergird the reform, and which had become a precondition for stabilization and association agreement talks. A Directorate for Police Restructuring Implementation has been formed to manage the process.

8. Defence reform proceeded to its climax with few hitches. The general consensus encompassing the elimination of entity competencies, the transfer of all defence responsibilities and personnel to the state, the abolition of conscription and the establishment of a restructured and small reserve force to back up the downsized professional army held sway throughout. In their last sessions in 2005, both the Federation and Republika Srpska parliaments adopted the legislation still required to complete the implementation of the defence reforms. According to schedule, the defence ministries of both entities ceased to exist on 31 December.

9. The mandate of the Intelligence Reform Supervisor, Kálmán Kocsis, expired on 31 December. Intelligence reform has now reached the stage where intensive international supervision is no longer required. The Office of the High Representative and the Organization for Security and Cooperation in Europe (OSCE) will maintain a watching brief on the further consolidation and operations of the Intelligence and Security Agency.

10. In September 2004 the Bosnia and Herzegovina Council of Ministers pledged to create a body to deal with state property and accommodation problems. The promised commission finally commenced its work in November 2005. Its first task is to draft a law on state property.

11. In December 2005, the Office of the High Representative provided the Parliamentary Assembly and the Council of Ministers of Bosnia and Herzegovina with draft legislation proposing a domestic vetting procedure for state-level ministers and deputy ministers. In addition, I announced that all persons removed from public office by my predecessors or myself, with the exception of those banned for obstructing cooperation with the International Tribunal for the Former Yugoslavia or for supporting Hague indictees, would in future be eligible to apply for non-managerial positions in public institutions.

12. The effective unification of the city of Mostar administration continued during 2005. The Mostar Implementation Unit completed its mandate after two years and handed over responsibility for supporting and monitoring the finalization of several outstanding unification tasks to the Office of the High Representative South.

13. Efforts to guarantee that Brcko District's multi-ethnic and democratic institutions can function effectively under the sovereignty of the state continued as the Office of the High Representative encouraged an agreement, signed in November, between the Council of Ministers and the Brcko government to open a District office within the Council of Ministers. This will help ensure that the District has appropriate representation at state level.

## I. Introduction

14. This is my seventh and final report to the Secretary-General since assuming the Office of High Representative in Bosnia and Herzegovina on 27 May 2002. As has been the norm, the report assesses progress made towards attaining the goals outlined in previous reports as well as reviewing developments during the reporting period.

## II. Political update

15. The past six months have been dominated by the drive to satisfy outstanding feasibility study requirements and to obtain a green light to open negotiations on the EU stabilization and association agreement. This was accomplished with the formal launching of the talks on 25 November.

16. Reforms of the country's policing, defence and public broadcasting systems were the touchstone issues on which the international community concentrated its efforts. No sanctions or impositions were, or could be, deployed to produce results. The domestic authorities had to take the responsibility for moving forward.

17. The tenth anniversary of the signing of the Dayton Accords saw the conclusion in Washington, D.C. of an agreement by the leaders of the eight largest political parties in Bosnia and Herzegovina to work towards state-level constitutional changes to be put in place by the end of March 2006. The parties had made substantial if incomplete progress by mid-January. It is uncertain at this writing, however, whether negotiations will recommence to achieve an all-embracing set of amendments within the short time available or whether efforts will be confined to turning the agreements reached thus far into constitutional or state-level law. A drafting team of legal experts from the Council of Ministers and parliament of Bosnia and Herzegovina stands prepared to draft both a package of amendments and other legislation.

18. Despite prolonged naysaying and foot-dragging by the Republika Srpska government, on 5 October the Republika Srpska National Assembly adopted a last-minute acceptance of police restructuring proposed by the entity's president, which met EC standards. The Council of Ministers, the state parliament and the Federation parliament subsequently adopted this same text. The agreement called for the establishment of the Directorate for Police Restructuring Implementation by 31 December; the preparation of an implementation plan by 30 September 2006; entity and state government approval of the plan by 31 December 2006; and entity and state parliamentary adoption of the scheme by the end of February 2007. The first step, establishment of the Directorate, took place within the deadline.

19. The fact that negotiations on police reform commanded centre stage over the past six months meant that other outstanding reforms received less attention than usual by the Office of the High Representative. In fact, the appearance of a pattern of systematic obstructionism on a range of mostly economic and fiscal issues by the Republika Srpska government led the Office of the High Representative to issue a demarche, on 10 November, and to summon a press conference, on 2 December, designed to exert public pressure on the authorities in Banja Luka. Some improvement seems to have taken place, but the long holiday season and current moves to unseat the SDS-led government have brought normal business to a halt.

20. The Federation government, for its part, finally gave up its resistance to complying with the provisions of the Washington, D.C. and Dayton Accords regarding the move of five ministries to Mostar. It adopted the requisite decisions during the autumn and the designated ministries have moved or are moving their central offices. Federation constitutional amendments on local self-government and consequent laws on local self-government and the allocation of public revenues are now set to be discussed in the Federation parliament. Their passage would establish the basis for a long-overdue reform of municipal government in the entity.

21. The Federation government has latterly functioned with fewer threats to disrupt its work or cabinet meetings by the one or another of the three coalition partners. Parliament adopted key legislation in July concerning budgets and internal debt. In the same month the ruling coalition saw off a no-confidence vote initiated by the Social Democrats. It was brought to the brink of crisis in August and September, however, by disagreements over the appointment of ministers to replace two who had resigned.

22. Although two major parties in Bosnia and Herzegovina, SDS and the Croat Democratic Union of Bosnia and Herzegovina (HDZ BiH), have experienced internal turbulence during the period, the political scene is stable, albeit with many indications that the parties are already manoeuvring to enhance their positions in the run-up to the October 2006 general elections. The SDS congress in November saw party (and Republika Srpska) President Dragan Čavić consolidate his control over a party he obviously aims to distance from its wartime past. At the end of 2005, the Party of Democratic Progress (PDP) announced that it would no longer support the SDS-led government in the Republika Srpska National Assembly, thereby depriving the government of its majority and creating the opportunity for the largest Republika Srpska opposition party, the Alliance of Independent Social Democrats (SNSD), to initiate a vote of no confidence. Two PDP ministers continue to fulfil technical mandates in the Council of Ministers, notwithstanding the prime minister's effort last June to sack one of them and the subsequent resignation of the other. The leader of HDZ BiH, Dragan Čović, has sought to purge opponents and stifle doubts about the legitimacy of his election as party president in June 2005. The grouping of European People's Parties has, as a consequence, suspended HDZ BiH's associate membership.

23. The review of removal decisions that I initiated early in 2005 continued, and by the end of the year 30 persons had their right to participate in public service fully restored. In November, I extended the process by announcing that all those who had been removed by my decisions or by those of my predecessors would henceforward be eligible to apply for non-managerial positions in public bodies or companies that are filled through open competition, provided that they had not been removed from

office for supporting International Tribunal for the Former Yugoslavia indictees or impeding cooperation with the Tribunal.

## III. Fulfilling European Community feasibility study requirements

24. The authorities of Bosnia and Herzegovina made sufficient progress in completing the legislative and other requirements of the EC feasibility study during the period to permit EC to recommend and the EU Council to endorse the opening of stabilization and association agreement talks. As noted above, their formal launch took place on 25 November in Sarajevo. The Bosnia and Herzegovina governments agreed and enacted reforms in a wide variety of fields, including the rule of law, human rights, taxation, competition, transport, narcotics control, the information society and media.

25. In the rule of law sphere the major achievement was the agreement to push through police restructuring according to the following principles decreed by EC: all legislative and budgetary competencies for all police matters must be vested at the State level; there should be no political interference with operational policing; functional local police areas must be determined by technical policing criteria, where operational command is exercised at the local level. The Directorate for Police Restructuring Implementation was established on 8 December and its steering and executive boards were appointed on 29 December.

26. Bosnia and Herzegovina has also met most of its Council of Europe post-accession commitments over the past six months. The state ombudsman law, merging the offices of the entity and state ombudsmen, has been adopted by the Council of Ministers and now awaits parliamentary passage.

27. Adoption of the Law on Value Added Tax in the summer was followed by the enactment of a package of legislation on customs and taxation: the Law on the Indirect Taxation Authority, the Law on Indirect Taxation Procedures, the Law on Forced Payment Procedures, and the Customs Violations Law. These should ensure both the functionality of the Indirect Taxation Authority and the smooth implementation and enforcement of value added tax, which began to be collected on 1 January.

28. Important legislation on commercial competition, drug licensing, narcotics abuse, railways and public broadcasting were also adopted during the period. Several laws demanded by EC still await adoption, including the establishment of a data protection commission, an information society agency and entity-level laws on public broadcasting. As has been noted before, the passage of legislation is one thing and its application and enforcement is another. Bosnia and Herzegovina needs to improve significantly in moving from the one to the other.

## IV. Entrenching the rule of law

29. As a result of considerable effort by the Office of the High Representative and other agencies, Bosnia and Herzegovina now has the laws and legal institutions necessary to inculcate and maintain the rule of law. This is a signal achievement. As a consequence, the Office's Rule of Law Department was able to close down at the end of 2005.

30. The simultaneous closure of the Anti-Crime and Corruption Unit signalled the end of the Office's role in identifying and developing individual cases for prosecution at all levels. The Unit transferred its files to the domestic authorities after a series of meetings designed to ensure an effective transition of responsibility.

31. The Office of the High Representative also successfully completed its efforts to strengthen links between and among the law enforcement agencies of Bosnia and Herzegovina and their regional counterparts tasked with fighting organized crime, corruption and terrorism. The working group chaired by the Office of the High Representative, comprising the ministries of justice and defence of Bosnia and Herzegovina, the Intelligence and Security Agency, the State Investigative and Protection Agency, the Indirect Taxation Authority, EUPM and the EC's Customs and Fiscal Assistance Office, had analysed the intelligence and legal framework and identified innovations to strengthen coordination and efficacy on the part of those possessing criminal intelligence responsibilities.

32. A task force set up by the Office of the High Representative in the autumn provided technical assistance to support the work of the security and civil affairs ministries of Bosnia and Herzegovina in establishing a commission during the autumn to review the award of citizenship to hundreds of foreign nationals since 1992. Many such nationalizations are suspected to have been highly irregular and to pose continuing security risks.

33. At the request of the Commander of EUFOR, the Rule of Law Department prepared an in-depth analysis of organized crime and corruption in Bosnia and Herzegovina and proposed possible goals, benchmarks and tasks for the international community's use in supporting domestic efforts to fight organized crime and corruption.

## V. Cooperation with the International Tribunal for the Former Yugoslavia

34. During the reporting period there was further cooperation between the authorities of Bosnia and Herzegovina and the International Tribunal for the Former Yugoslavia. Out of 18 fugitives linked with Bosnia and Herzegovina and wanted by the Tribunal at the beginning of 2005, four remain at large. The state-level Monitoring Group of the Tribunal helped remove most of the personal and structural flaws that had obstructed cooperation with the Tribunal and hindered compliance with EU directives. Additional reform of the defence and intelligence sectors improved the capacity of Bosnia and Herzegovina to cooperate with the Tribunal. Police restructuring will complete this institutional transformation. Constant political pressure produced a change of mind among the leadership of SDS, forcing the Republika Srpska government both to acknowledge at least some of its wartime sins and to acknowledge the urgent need to cooperate fully with the Tribunal. Bosnia and Herzegovina will not, however, be invited to join the NATO Partnership for Peace unless and until Karadžić and Mladić are in The Hague. The strong reference in the stabilization and association agreement platform now being negotiated with EC (specifically on articles 2 and 4 in the General Principles of the stabilization and association agreement) regarding the necessity of full cooperation with the Tribunal also means that the country will have to maintain progress on this front. Full cooperation with the Tribunal will continue to be one standard by which

the readiness of Bosnia and Herzegovina to take part in Euro-Atlantic integration will be measured.

## VI. Reforming the economy

35. Bosnia and Herzegovina was still in the early stages of a difficult economic transition in 2005. Reflecting, however, the increasing degree of domestic ownership and the successes local stakeholders have registered in dealing with economic challenges, the Economic Department of the Office of the High Representative closed down at the end of the year. The year 2006 started with the implementation of perhaps the most dauntingly complex fiscal reform to date: the introduction of the value added tax. In order to assure that the advent of the tax went as smoothly as possible, it was introduced at a single rate of 17 per cent. The results thus far have been promising, although the impact of this major reform will likely not be evident for several months. Fortunately, the technical aspects of putting the tax in place proceeded with hardly any hitches. The introduction of the tax was both a necessary milestone in the country's effort to make itself fit for European integration and a major step towards stimulating the economy, enlarging the tax base, attracting investment and creating new jobs.

36. The overall macroeconomic situation remained positive thanks to strong domestic demand during 2005. Economic growth last year is estimated at 5.7 per cent of gross domestic product (GDP), which is among the highest in the region. After hitting rock bottom in 2001, the rate of growth in industrial production has rebounded steadily. Inflation remains negligible and the Central Bank now holds substantial foreign currency reserves, which currently provide around six months of import cover.

37. In order to maintain this momentum, my office has focused on several fiscal measures with the objective of enhancing fiscal coordination and reducing fiscal risks. Among these measures was the establishment of the Bosnia and Herzegovina National Fiscal Council, which is responsible for the development of consolidated annual revenue projections and expenditure targets, as well as for deciding on budget allocations among the state, entities and Brcko District. The Council has established an advisory group to find ways to reduce the costs and increase the efficiency of government at all levels. One of its projects is to draft a law on state salaries. Once drafted, the Office of the High Representative will seek to facilitate its passage.

38. The adoption of new business registration laws in 2005 represented a significant step forward in establishing a business environment in Bosnia and Herzegovina conducive to foreign and domestic investment. It is obvious, however, that the business climate must improve a great deal more if the country is to capitalize on its currently promising rate of annual growth. The creation of a single economic space remains key to achieving this objective, as well as to stimulating business development, foreign investment and new employment. My office has therefore sought to help in preparing and promoting state-wide legislation on obligations, pharmaceuticals and consumer protection.

39. Only the full implementation of the above and other laws already on the statute books will bring real benefits to new businesses and ensure private-sector development. Both also require continuing corporate restructuring. Bankruptcy

legislation is on the statute book, but is only rarely applied. Effective privatization slowed down in the second half of 2005, particularly in the Federation.

40. Agricultural reform has lagged. Despite efforts to facilitate progress in the sector, the Republika Srpska government has thus far rejected the EC recommendation on establishing a country-wide legal and institutional framework. Since cooperation between the state and entity administrations is vital in agriculture, the Office of the High Representative has urged the entities to forswear unilateral approaches.

41. It will be essential in future to keep highlighting the fact that Bosnia and Herzegovina has the potential to be an economic success, not just a subsistence economy. Real and rapid economic growth is possible if sensible policies are implemented sooner rather than later and if corporate restructuring once more becomes a top government priority.

## VII. Strengthening the state government

42. The Joint Action Plan for Staffing and Premises, presented to the Peace Implementation Council by Prime Minister Terzić in September 2004, was back on the political agenda during the reporting period, with the focus now on the Commission for Public Assets. As a result of lobbying by the Office of the High Representative, the intergovernmental Commission commenced work in November 2005. It is tasked with looking into issues of ownership at all levels of government, as well as the state's rights to acquire/expropriate property pursuant to its needs, not least those stemming from the European integration process. The Commission, comprised of state, entity and Brcko District officials, is also charged with drafting state property laws for Bosnia and Herzegovina, the entities and Brcko District. After extensive discussions on the principles of state property distribution, the Commission's legal subcommittee is now drafting the requisite laws. The Office of the High Representative acts as observer and legal adviser.

## VIII. Public administration reform

43. During the reporting period the focus was on the establishment of the coordinator's office for national public administration reform within Prime Minister Terzić's cabinet. The Office of the High Representative provided both political support and technical assistance.

## IX. Defence reform

44. I described the impressive progress that has been made in defence reform in some detail in my previous report. Since then the two state defence laws have entered into force and, as of 1 January 2006, Bosnia and Herzegovina has a single defence ministry and military force. The Defence Minister, Nikola Radovanović, will oversee what is expected to be a two-year period of implementation and integration. A team of defence ministry experts will plan, organize, coordinate and monitor the process of transferring all defence functions and personnel to state level. NATO will continue to assist. For its part, the Office of the High

Representative will also continue to provide political support to the authorities of Bosnia and Herzegovina as they proceed with implementation.

45. As the new defence structure takes shape, Bosnia and Herzegovina will enhance its capacity to maintain a safe and secure environment at home and in the region, thus moving the country closer to achieving its aspiration to join in the Euro-Atlantic partnership. EU repealed its long-standing arms embargo on Bosnia and Herzegovina on 23 January.

## X. Intelligence reform

46. The mandate of the intelligence reform supervisor, Kálmán Kocsis, expired on 31 December. Striking achievements have been registered since I appointed him to coordinate the overhaul of the country's intelligence agencies in June 2004. This progress means that the time has come to scale down international oversight. The Office of the High Representative will, however, monitor developments in the intelligence sector in order to ensure, in particular, that the rule of law prevails in Bosnia and Herzegovina.

47. The Intelligence and Security Agency continued to build up its operational and analytical capabilities during the reporting period. Basic training programmes were developed and the first courses took place in July. In January 2006, the Agency signed an agreement on cooperation with the Ministry of Defence whereby it will provide the armed forces with access to the information they require for force protection.

48. The Bosnia and Herzegovina Parliamentary Assembly has improved its ability to oversee the agency's operations and to ensure democratic accountability. Passage of the Law on the Protection of Secret Data in July represented an important step, enabling the exchange and safekeeping of classified information. The Intelligence and Security Agency is obliged by law to provide security assessments on individuals and institutions handling classified information.

## XI. The European Union Military Mission

49. In November 2005 the EU Council of Ministers approved the second mission review of EUFOR and extended its mandate, leaving the force structure unchanged for 2006. EUFOR continues to be perceived as a peacekeeping force with a more than credible deterrent. Its presence remains essential for the time being.

50. EUFOR comprises some 6,200 troops from 22 EU member States and 11 other States. The force is still deployed throughout the country, with three regionally based multinational task forces and a headquarters in Sarajevo. It has continued to conduct operations in line with its mandate to ensure compliance with its responsibilities under annexes 1 (a) and 2 to the General Framework Agreement for Peace and to contribute to the maintenance of a safe and secure environment. The multinational task forces conduct a variety of operations, including presence patrolling, local observation team activities, weapons' collections and specific operations to ensure compliance with the Framework Agreement and to prevent anti-Dayton activities.

51. Over the coming year, in accordance with the second mission review, EUFOR will play a less prominent and proactive role in conducting operations targeted at organized crime. Instead, EUFOR will align its operations more closely with those of the EU Police Mission and the priorities set by the domestic law enforcement agencies, but will still be ready to assist these agencies in carrying out operations against organized crime. EUFOR is also participating actively in the Crime Strategy Group chaired by the EU Special Representative. The group is tasked with overseeing the coordination and coherence of the EU Security and Defence Policy efforts in support of the fight of the Bosnia and Herzegovina authorities against organized crime.

## XII. Refugee return

52. Two years ago my office closed its department dealing with refugee return and handed responsibility over to the domestic authorities. The international lead in this sphere lies with the Office of the United Nations High Commissioner for Refugees (UNHCR). Domestic institutions have successfully taken up the challenge. The state level commission that makes return policy operates effectively. It has managed to obtain substantial loans (not grants) and is working through the Bosnia and Herzegovina Ministry of Human Rights and Refugees to implement housing reconstruction projects directly. The level of return achieved, with over 1 million people reclaiming possession of their pre-war homes and spending at least some time in them, has been sustained. But truly sustainable return requires much more than housing. There is thus still a considerable risk not only that potential returnees will opt not to do so, but that those who have returned will give up the struggle to remake their lives in the face of long-term unemployment, inadequate schools and roads and no water mains or electricity. To highlight the continuing problem of making return sustainable, in December, Minister Mirsad Kebo and I launched a State Intervention Fund to finance small-scale projects to help returnees, in particular, those to rural areas.

## XIII. Mostar

53. The unification of the city of Mostar administration has continued at a brisk pace over the past several months. Progress has been such as to permit the closure of the ad hoc Mostar Implementation Unit at the end of November. The Office of the High Representative South has assumed responsibility for the Unit's remaining tasks. During the reporting period, the city made its first civil service appointments in accordance with EU standards, a first in Bosnia and Herzegovina. The city administration is fully unified, as are most other municipal institutions.

54. A number of tests remain in 2006. In the immediate future the city must adopt a balanced budget. The status of the city-owned television station and that of some of its cultural institutions remains unresolved, while administration faces the daunting task of finalizing the downsizing of its overlarge workforce and making it more streamlined and efficient.

## XIV. Brcko District

55. Efforts to guarantee that Brcko District's multi-ethnic and democratic institutions can function effectively under the sovereignty of the state continued as the Office of the High Representative encouraged an agreement, signed in November, between the Council of Ministers and the Brcko government to open a District office within the Council of Ministers. This will help ensure that the District has appropriate representation at state level.

## XV. Bosnia and Herzegovina and the region

56. The October agreement on police restructuring saved Bosnia and Herzegovina from being left behind as its neighbours advanced their negotiations on association with or membership in EU. The formal launch of stabilization and association agreement talks in time for the tenth anniversary of the Dayton/Paris Accords and their actual commencement in late January meant that Bosnia and Herzegovina was no longer threatened with being left behind by its neighbours. On the other hand, the continuing liberty of four individuals from Bosnia and Herzegovina indicted by the International Tribunal for the Former Yugoslavia and the mounting uncertainty over the future of the state union of Serbia and Montenegro (Montenegrin independence and Kosovo's final status) will have to be watched closely.

57. Finally, it should be noted that Bosnia and Herzegovina continues to have minor but unresolved border issues with both of its neighbours. More notable difficulties stem from the fact that many citizens of Bosnia and Herzegovina are also citizens of Croatia or Serbia and Montenegro and the constitutional provisions of those countries on the extradition of their citizens mean that the regional battle against organized crime and the pursuit of putative war criminals not indicted by the International Tribunal for the Former Yugoslavia are both impeded.

## XVI. European Union Police Mission

58. As the initial mandate of the EU Police Mission came to a close in late 2005, it conducted an evaluation process to review the progress it had made in realizing its four strategic priorities: (a) institution and capacity-building; (b) the fight against organized crime and corruption; (c) the financial viability and sustainability of Bosnia and Herzegovina policing; and (d) developing police independence and accountability.

59. In July, the Council of Ministers of Bosnia and Herzegovina decided to establish a Ministerial Council for Cooperation on Police Matters. Building on a body originally formed during the mandate of the United Nations International Police Task Force, the Ministerial Consultative Meeting on Police Matters, the new Council has started to work on establishing adequate coordination and cooperation among police forces in Bosnia and Herzegovina and in passing decisions and instructions that will be binding for the Police Steering Board.

60. The Bosnia and Herzegovina Immigration Law came into effect on 17 August. As a consequence, the Security Ministry of Bosnia and Herzegovina has had to establish and fund a temporary detention centre for illegal immigrants. EC and the

International Organization for Migration (IOM) will support the construction of a permanent centre.

61. The EU Police Mission maintained its support of the State Investigative and Protection Agency, which, since August, has stepped up its recruitment and enhanced its operational capacity to a significant degree. The EU Police Mission advised an internal Agency working group reviewing the organizational rulebooks setting out the structures and responsibilities of the Agency's various departments and has since monitored the implementation of the revised rules. The Agency's Financial Intelligence Department was invited, only seven months after its formation, to join the Egmont Group, a worldwide network of law enforcement agencies that share intelligence on money-laundering.

62. After the October breakthrough on police reform, the Mission's police restructuring working group and the Office of the High Representative developed a framework for the establishment of the Directorate that will bring police restructuring to fruition over the next three to five years.

63. The European Council decided on 24 November to extend the Mission's deployment until the end of 2007, but with fewer officers and a refocused mandate. With guidance and coordination provided by the EU Special Representative, the Mission will concentrate on supporting the establishment of a sustainable, professional and multi-ethnic police service in Bosnia and Herzegovina that operates in accordance with the highest European and international standards. The reformed police must also fulfil the commitments that Bosnia and Herzegovina made during the stabilization and association process, including the fight against organized crime. The Mission's mandate has been strengthened in this regard, and the follow-on mission is expected to be proactive in assisting domestic agencies to plan and carry out major investigations of and operations against organized crime. The Mission will also take part in the Crime Strategy Group and will continue to operate in line with the general objectives of annex 11 of the Dayton/Paris Accords. Brigadier-General Vincenzo Coppola from Italy has been appointed Head of Mission/Police Commissioner.

## XVII. Police certification

64. On 24 October 2005 the European Commission for Democracy through Law (the "Venice Commission") issued its opinion on a possible solution to the vexed issue of Bosnia and Herzegovina police officers dismissed from service after failing to win certification by the International Police Task Force. The Venice Commission concluded that International Police Task Force certification procedures failed to provide police officers being vetted with a public, adversarial, impartial and independent examination of their rights. The review mechanism that was provided by the Force appeared to be largely notional. As a result, the Venice Commission recommended that the United Nations establish a special body authorized to review decertification cases that have been challenged before domestic courts. Given the numerous occasions on which I have put the same view forward in these reports, it will come as no surprise that both the Commissioner of the Police Mission and I should commend it to you.

## XVIII. Media development

65. Considerable progress was made during the past six months in reforming the public broadcasting system in Bosnia and Herzegovina. The Parliamentary Assembly passed the state framework legislation, the Law on the Radio and Television System of Bosnia and Herzegovina, on 5 October. This law regulates a system composed of three public broadcasters: one covering the whole of Bosnia and Herzegovina and the others their respective entities. On 21 December, the state parliament completed its obligations stemming from the feasibility study by endorsing the second of the two state-level laws required in this sphere, the Law on the Public Broadcasting Service.

66. State-level legislation must, however, be mirrored at entity level. Both entities made progress in enacting public broadcasting legislation. The Federation and Republika Srpska governments adopted draft legislation in mid-December and have forwarded it to their respective parliaments for passage. The Office of the High Representative is endeavouring to make sure that these assemblies adopt fully harmonized legislation.

## XIX. Mission implementation plan

67. Since July 2005, there has been substantial movement towards completion of the 2005 mission implementation plan of the Office of the High Representative. Although the Republika Srpska continues to oppose planned reform measures, particularly when a transfer of competency to the state is required, the police restructuring agreement removed the blockage of a number of items and allowed the Office of the High Representative to concentrate on other important reform priorities. The action planning process, initiated in mid-2005 to improve tracking of mission implementation plan item progress, identify obstructions and improve completion rates, has proved effective in helping clear the mission implementation plan backlog that accumulated early in 2005.

68. As a result, by the end of my mandate as High Representative about 40 items, spread among three of the four core tasks, will remain incomplete: entrenching the rule of law (11); reforming the economy (12); and institution-building (17). In mid-January the Defence Reform Core Task was fully completed when the Minister of Defence signed the order establishing the Transition Implementation Expert Team. All but six of the remaining items had been scheduled for completion in 2005. A good many of these, however, related to either police restructuring or public broadcasting, issues on which political breakthroughs were not achieved until the autumn.

69. Of the still-outstanding rule of law items of the mission implementation plan, all but one are tied to the police restructuring process, which will likely stretch into early 2008. The remaining items of the mission implementation plan relating to economic reform include a broad range of reform priorities, as is the case with the institution-building agenda as well.

70. A mission implementation plan for 2006 should be presented to the Peace Implementation Council in the next few months. It will contain revised timelines for police restructuring items based on the now-extended process.

## XX. Reporting schedule

71. In keeping with my proposal to submit regular reports for onward transmission to the Security Council, as required by Council resolution 1031 (1995), I herewith present my last regular report. Should the Secretary-General or any member of the Security Council require information at any other time, I would be pleased to provide an additional written update.